

BOARD OF EXAMINERS MEETING

May 21, 2018

1. A. Call to Order and Confirmation of Attendance

Governor Steve Bullock, as President of the Board of Examiners (Board), called the meeting to order on May 21, 2018, at 11:01a.m. in Room 250 of the State Capitol with Attorney General Tim Fox and Secretary of State Corey Stapleton in attendance.

Staff and advisors present were: John Lewis, Mark Bruno, Kendra Whitaker, Cheryl Grey and Cody Pearce, Department of Administration; Ryan Evans, Office of Budget and Program Planning (OBPP); Christi Jacobsen, Secretary of State's Office (SOS); Anna Miller and John Tubbs, Department of Natural Resources and Conservation (DNRC); and Dan Semmens of Dorsey & Whitney LLP.

B. Approval of Minutes of Board of Examiners Meeting of September 18, 2017

Motion and Vote: Governor Bullock called for a motion to approve the minutes of the Board of Examiners meeting of September 18, 2017. Tim Fox so moved. The motion passed unanimously.

C. John Lewis, Director, Department of Administration: Overview of Agenda

John Lewis briefly described the items on today's agenda:

Anna Miller will discuss the 1) The Issuance of up to \$1,000,000 Taxable Series 2018A, General Obligation Renewable Resource Program Bond. These are Non-Point Source Renewable Resource Bonds 2) Water Pollution Control State Revolving Program, and the need for issuance up to \$4,000,000 in General Obligation Bond Anticipation Notes, Taxable series 2018/19 to the Montana Bond of Investments 3) Coal Tax Bond Resolution Amendment and Continuation of existing accounts for operation and maintenance and repair of the Broadwater Dam.

Dan Semmens will explain each of the related resolutions.

2. Department of Natural Resources and Conservation (Anna Miller): Non-Point Source Renewable Resources Bond:

Anna Miller discussed the letter in tab 2 to the Board signed by Director John Tubbs.

The first issue is the Renewable Resource Program, which is a private loan program to farmers and ranchers.

This item allows DNRC to borrow for the State Revolving Loan Fund program up to \$1,000,000, in return, DNRC loans out to farmers and ranchers to put in to more efficient irrigation systems. The most common one is center pivots which puts less pollution, chemicals and fertilizer into streams also allows and hopefully gives a larger volume of crops. The Board approved

BOARD OF EXAMINERS MEETING

May 21, 2018

\$1,000,000 last meeting in September, DNRC is down to \$200,000, but it is obligated to a borrower.

This \$1,000,000 will allow DNRC to continue this coming year for loans to farmer and rancher to improve their irrigation systems.

3. Dorsey & Whitney LLP (Dan Semmens): Non-Point Source Renewable Resources Bond: Resolution Relating to \$1,000,000 State of Montana General Obligation Renewable Resource Program Bond, Taxable Series 2018A (Non-Point Source Loan No. 20); Authorizing the Issuance thereof to the State of Montana Water Pollution Control State Revolving Fund Program, Establishing the Terms and Conditions thereof and Approving the Authorizing the Execution of Documents Pertaining Thereto (the "Series 2018A Bond Resolution")

Dan Semmens explained the resolution in tab 3 to the Board. Under this type of borrowing, the Renewable Resource Program borrows for the State Revolving Fund (SRF) Program. The SRF program has long-term low interest rate 2.5%, so DNRC can loan out to farmers and ranchers, and be repaid with the effect of repayment on those loans, repaying the obligation (bond). It has work well for a number of years.

Dan Semmens read the entire resolution title.

Corey Stapleton asked about why it allows about \$1,000,000 for the issuance amount.

Anna explains the amount could be different, but the last couple years it has been about \$1,000,000. It is based on the demand of borrower applications. If DNRC uses up the \$1,000,000, DNRC will come back to BOE in September or December for another meeting for additional loan authorization if needed.

Motion and Vote: Governor Bullock called for public comment. Hearing none, he then called for a motion to adopt the initial authorizing resolution. Corey Stapleton so moved. The motion passed unanimously.

4. Department of Natural Resources and Conservation (Anna Miller): Water Pollution Control State Revolving Fund Program:

Anna Miller discussed the letter in tab 4 to the Board signed by Director John Tubbs.

This is request that Board to approve authorization us to issue \$4,000,000 in General Obligation Bond Anticipation Notes. This is the Wastewater Program which has been around since the 1990s. The \$4,000,000 will match the EPA Capitalization Grant. DNRC loans funds out when they are repaid back to the agency. DNRC pays back the Bond Anticipation Note.

In Tab 4 Anna explained they are working with City of Anaconda, City of Bozeman, Town of Choteau, Town of Medicine Lake, and City of Townsend. Anaconda and Townsend are

BOARD OF EXAMINERS MEETING

May 21, 2018

upgrading their wastewater treatment facility. The \$6,000,000 for the city of Bozeman will borrow is to put a line from the new high school to the wastewater plant. The city of Choteau is a cost overrun for \$183,000, for final fixes to their wastewater treatment plant.

The last few pages in tab 4 show pictures of current and completed projects with loan amount around the State. There was then a group discussion of current projects in Great Falls with the storm drain system and new piping which is non-cylinder in shape. Anna then discussed various on-going projects around the state.

5. Dorsey & Whitney LLP (Dan Semmens): Water Pollution Control State Revolving Fund Program: Resolution of the Board of Examiners of the State of Montana Relating to the State's Water Pollution Control State Revolving Fund Program, Approving a Supplemental Indenture of Trust Providing for the Issuance of State of Montana General Obligation Bond Anticipation Notes, Authorizing the Issuance and Sale and Establishing the Terms and Conditions of up to \$4,000,000 General Obligation Bond Anticipation Notes (Water Pollution Control State Revolving Fund Program), Taxable Series 2018/19, and Authorizing the Execution of the Supplemental Indenture and Related Documents (the "2018/19 Note Resolution").

Dan Semmens explained the resolution in tab 5 to the Board. This is a short-term obligation principal amount up to \$4,000,000 purchased by the Board of Investments. Anna mentioned the proceeds will be matched by an EPA Capitalization Grant. This is another obligation (financing source) to meet demand undertaking with wastewater projects. These are very expensive. There has been a lot of wastewater treatment projects, and the money is used quickly when the projects get started.

Dan Semmens read the entire resolution title.

Corey Stapleton asked Dan Semmens about cost overruns. Dan explain that there is a lot of water and sewer loan that the SRF does in a year. They don't allow the local Government to issue bonds to pay for cost of improvement till after the bids are accepted. Once the bids are in, so they (local governments) feel generally comfortable with having enough funds to reach completion, and there is a 10% contingency accounted for in the bid.

The Choteau project was long and difficult. It was an outlier project, as almost all projects are within budget. Anna Miller and John Tubbs elaborated on the Choteau project and wastewater funding in general.

Motion and Vote: Governor Bullock called for public comment. Hearing none, he then called for a motion to adopt the initial authorizing resolution. Tim Fox so moved. The motion passed unanimously.

6. Department of Natural Resources and Conservation (Anna Miller): Coal Severance Tax Program (Presentation regarding continuation of existing accounts for the Broadwater Dam.):

BOARD OF EXAMINERS MEETING

May 21, 2018

Anna Miller said this is a new item to be brought to the Board. She gave a synopsis of the history about the Toston Dam facility.

DNRC, the Legislature and the Governor's Office had on-going discussions on how to pay for and upkeep state owned project (dams and reservoirs).

In 1988, a decision was made to put a hydropower generating facility on the Toston Dam and borrow money to do this. DNRC issued Coal Severance Bonds back in the 1900s. DNRC built the facility, went to the Montana Power Company, and asked to be paid for the power generated.

In the original bond resolution, accounts were set up, so that the bonds got paid and that DNRC was keeping the dam in good order. There was an operation and maintenance (O&M) account, replacement/depreciation account, debt service account, and any money left over would go toward hydro facilities account. These accounts were following best business practices.

DNRC paid the bond off in December 1, 2017. DNRC doesn't have a current directive (governance) to put money in these accounts. However, they have been putting money in these accounts.

DNRC came to the Board with this resolution amendment to allow them to continue with these established accounts.

John Tubbs and Dan Semmens also went through the accounts and the account streams and account balances in more detail. There was more group discussion about hydropower including dams that have some potential for power generation.

7. Dorsey & Whitney LLP (Dan Semmens): Coal Severance Tax Program: 2018 Supplemental Resolution Regarding Existing Accounts (the "2018 Supplemental Resolution").

Dan Semmens briefly explained and read the title of the resolution in tab 7 to the Board.

Motion and Vote: Governor Bullock called for public comment. Hearing none, he then called for a motion to adopt the initial authorizing resolution. Tim Fox so moved. The motion passed unanimously.

8. Governor: Other Business:

There was no other business. The meeting adjourned at 11:44 a.m.

BOARD OF EXAMINERS MEETING

May 21, 2018

Governor Steve Bullock
President of the Board

Secretary of State Corey Stapleton
Member of the Board

Attorney General Tim Fox
Member of the Board

John Lewis
Executive Secretary